An analysis of factors influencing the online presence in distant countries: the case of Italian fashion firms in China

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Abstract
The aim of the paper is to examine some of the factors that could potentially affect a firm’s intention to adopt an online presence in international distant markets. Specifically, the study focuses on Italian fashion companies operating in China and examines the impact of a firm’s size, experience and positioning (luxury or not) on its intention to adopt a digital presence in this emerging country.

Introduction
The increasing internationalization of firms and the advent of Internet and Social Networks have modified business behaviors over the last years. Such events are correlated, since the Web can help companies to enter in geographically distant markets by supporting their communication strategies (Sinkovics *et al*., 2013). This relationship is explained by the term “Internetalization”, the process of integrating the Internet into a firm’s internationalization activities (Mathews *et al*., 2012). However, Internet is not completely global: even if players such as Google and Facebook dominate the West, they are still not leaders or even present in some countries with different cultures and institutions such as China. Empirical studies conducted to identify the factors that impact firms' involvement with the Internet are many, but few analyze the antecedents that affect the companies’ use of the Web in countries that require a localization approach. The aim of this paper is to verify the factors influencing the choice to have an online presence in countries which are culturally distant. The analysis will focus on Italian fashion firms dealing with the Chinese Web.

Literature Review
Internet and Social Media as marketing tools
The adoption of the Internet as a new channel to support firms in their international expansion has been widely studied (Shneor, 2012). Companies have many options to shape their online presence: from using simple and passive tools such as the (brochure version of) website to adopting social and interactive applications thanks to an integrated online communication strategy (Bingley *et al.*, 2010). Despite significant advantages such as low costs and strong customer engagement, using Social Media requires high commitment, involving planning and following a correct strategy, continuous updating and monitoring of the networking activities and dedicated human resources (Checchinato *et al*., 2015).

Factors impacting the adoption of Internet
Big and small firms and the adoption of the Internet
A structural element influencing the use of the Web is the dimension of the firm. When the Internet was introduced, differences between large and small firms in terms

of financial strength and technical knowledge were at first reduced thanks to its ease of use and low costs (Cooke & Buckley, 2008). However, even if SMEs can achieve significant advantages from the Web (Sinkovics *et al.*, 2013), they do not adopt it as much as big firms because they still lack resources which are necessary to manage effectively a Social Media strategy (Bulearca & Bulearca, 2010). So we hypothesize:

H1a: *Firms' dimension is a factor that affects the adoption of Internet and the probability of having a local website in a psychic distant market is higher for big companies.*

H1b: *Firms' dimension is a factor that affects the adoption of Internet and the probability of using local Social Media in a psychic distant market is higher for big companies*.

International experience and the adoption of the Internet

Experiential knowledge is a key variable in firms' internationalization since it allows them to gain know-how in order to successfully enter and penetrate new and distant markets (Johanson & Vahlne, 2009). Morgan-Thomas & Bridgewater (2004) state that international experience influences the acceptance of Internet use in international markets since experiential knowledge may be required to apply technology effectively. Shneor (2012) states that "once operating in a certain foreign market, firms may develop sufficient familiarity with the local culture to be able to adapt its marketing practices and communications to local needs"(p.356); therefore, the time spent by firms in the host country can enhance their knowledge and familiarity with it. So we hypothesize:

H2a*: the greater the firm's experiential knowledge, the higher the probability that the company adopts a local online marketing website*

H2b*: the greater the firm's experience in the specific country, the higher the probability that the company adopts a local online marketing website*

H2c*: the greater the firm's experiential knowledge, the higher the probability that the company adopts a local Social Media*

H2d*: the greater the firm's experience in the specific country, the higher is the probability that the company adopts a local Social Media*

Luxury and the adoption of the Internet

Scholars raised the issue of the 'dilemma' of compatibility of luxury with the Internet. Some state that the uniqueness of luxury products oppose to the features of the digital environment (Jahn & Kunz, 2012). Others argue that luxury goods can be successfully positioned online, and the Web could enhance their brand image

(Kim & Ko, 2010). Due to strong cross-cultural differences which exist in the interpretation of the meaning of luxury (Godey *et al*., 2013), even if having a website can be useful when operating in a distant market, managing a highly interactive strategy as through Social Media can be challenging for firms. So we hypothesize:

H3a: *the probability to have a local website is higher for luxury companies*

H3b*: the probability to have also a Social Media profile in a distant market is higher for fashion firms that do not operate in a luxury context.*

The research

Methodology

To investigate the use of Internet and Social Networks in distant countries by foreign firms, we analyzed the case of Italian fashion firms in the Chinese market. Despite the advent of globalization, the Web is different in China due to: 1) diverse values rooted in China's traditions; 2) Chinese language; 3) censorship. The research focuses on the Italian fashion industry because among Italian businesses which have expanded in China, this sector[1] seem to be thriving more than others (Farrar, 2012).
To test our hypothesis, we selected a sample of 102 Italian fashion firms operating in China, chosen from the 14 most recent issues of "Fashion Magazine". To complete and confirm the sample, we selected other companies from the information extracted from the online magazine ICE – Live in I Style[2].

Variables

To test our hypothesis, we created two dependent variables and four independent variables. The presence of the website in Chinese language has been used as dependent variable in H1a, H2a, H2b and H3a. The use of at least one local Social Network has been used as dependent variable in the remaining hypothesis. The turnover has been used as measure of firm's size in H1, while the number of countries in which each firm is present and the number of years it has been operating in China have been used as measures of experience both at international level and in the specific country in H2. In order to classify firms based on their positioning (luxury or not) and use this as dependent variable in H3, a dummy variable was created on the base of the opinions of the selected companies by some experts of the Italian fashion sector.

Results

After collecting data, our sample was restricted to 78 firms due to unavailable data related to some of the dependent variables. The average turnover is 328.30 million, the number of years operating in China is 9.718 and the number of countries in which they operates is 38.690. 52 (66.67%) firms have a Chinese website and 25 (38.01%) have an official presence in one of the most famous Chinese Social Media. 45 (57.69%) firms are classified as luxury fashion companies from interviewed experts.
In order to test H1a, H2a H2b and H3a, a multiple logistic regression has been run where Chinese website is the dependent variable, and all the independent variables have been used. Findings show that factors related to the firm's experience, size and position in the luxury market affect the probability that a company creates a website for the specific host country. The model results significant ($p < 0.01$) with an AIC of 84.2. To test if the model could be improved deleting some variables, we also verified if the model without each of the single variables is significantly different from the

[1] For the definition of the fashion industry, please refer to the ICE classification (textile-clothing, leather goods-footwear, eyewear-jewelry).
[2] http://www.ice.it/lifestyle/LifeItaly_2011.htm;

model with that variable. Results of these tests and the odds-ratios for each variable of the completed model are shown in Table I and Table II.

Table I - Comparison between the complete logistic regression model for website adoption compared with the model without each variable

	AIC	Pr (>Chi)
Turnover	88.469	0.01229*
Number of Countries	85.994	0.05145 .
Number of years in China	86.187	0.04586*
Luxury	88.05	0.01558*

Table II – Multiple logistic regression model's odds-ratio

	Odds-ratio
Turnover	1.003
Number of Countries	1.024
Number of years in China	0.936
Luxury	4.023

Results show that the probability that firms invest in a simple online presence in China increases for big firms, for companies operating in many countries and for luxury firms, but it decreases of 6.2% for each year spent in China. Thus, evidence supports H1a, H2a, and H3a, but do not support H2b. Concerning the use of Social Media, a multiple logistic regression model was run using the local Social Media as dependent variable in order to test our hypotheses H1b, H2c, H2d and H3b. Results do not strongly support any of our hypotheses, since the model is not significant. We tested other models using the same method explained before, and the variance analysis suggests that only the luxury variable is significant; thus, we have applied the model using it as unique dependent variable. Results are shown in table III: H3b is marginally supported ($p<0.1$).

Table III – Selected regression model for local Social Media adoption

	Odds-Ratio	Pr (>Chi)
(Intercept)	0.183	0.232
Luxury	0.364	0.099

Conclusions

Big firms are more present in the Chinese Web than SMEs, supporting Bulearca and Bulearca's (2010) findings concerning the existence of barriers in adopting online marketing strategies for SMEs. Approaching the Chinese online market requires relevant investments in order to translate and transiterate contents, and such challenges are strengthened due to differences between the Chinese and Western language settings. Cumulated foreign experience plays a role in the decision to create a local online website, but not a presence in the major Chinese Social Networks. Familiarity with the market, which usually drives adaptation moves (Shneor, 2012), results in an unexpected impact on the decision to adopt a Chinese website: findings show that firms that entered in China recently are more likely to adopt a Chinese website, while firms with a long history in such market tend to do the opposite. Therefore, we can suppose that, due to the Chinese consumer behavior and high Internet penetration, an online presence is unavoidable for companies entering nowadays in the Chinese market. Instead, firms that are already known in this Country because they entered in the market when Internet was not so commonly used, continue to adopt the same strategy. However, the latter firms should reconsider their marketing strategies as far as the Internet is concerned, since their new competitors tend to invest more in this important tool. Finally, luxury brands have a relevant tendency to adopt Internet as communication tool in China, but they are sceptical in using Social Media, since they require high level of involvement and could be dangerous for the brand image if they are not properly managed.

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